

VZCZCXRO3563

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P 211056Z FEB 08
FM AMEMBASSY VIENNA
TO RUEHC/SECSTATE WASHDC PRIORITY 9503
INFO RHEBAAA/DEPT OF ENERGY WASHDC
RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS VIENNA 000242

SIPDIS

SIPDIS, SENSITIVE

E.O. 12958: N/A

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SUBJECT: OMV: GAZPROM HOLDS SHARES IN GAS TRADING PLATFORM; NO
SPECIFIC PLANS FOR GAS STORAGE PROJECTS

REF: 07 VIENNA 2853

¶1. Charge and Emboffs met 2/19 with Werner Auli, board member of the Austrian oil and gas company OMV, and with Gottfried Steiner, head of the gas section's International Affairs unit, to inquire the latest developments in OMV's relations with Gazprom. Auli reconfirmed that Gazprom acquired a 50% stake in an OMV-founded trading platform, called "Central European Gas Hub" (CEGH) in January 2008 (as agreed in a MoU in May 2007). Gazprom owns no part of OMV's physical infrastructure property - neither the natural gas station in Baumgarten, through which mainly Russian gas is distributed to western purchasers (reftel). OMV has no intention to sell any infrastructure assets to a Russian company, our interlocutors emphasized.

¶2. Auli outlined OMV's hopes to make the trading platform the number one trading gas hub in Europe, focused on Central Europe -- with another hub in Zeebrugge, Netherlands, or a new hub in France responsible for western/southwestern Europe. Eventually, they would like to see the trading platform become a fully fledged commodity market for gas. Given these goals, a joint venture with Gazprom makes sense, because "we have the infrastructure, and they have the gas". However, OMV and Gazprom would not act as traders but put the trading platform to the disposal of other gas traders.

¶3. Confronted with reports that the trading platform involved handing over physical infrastructure to Gazprom, as well as speculation about a Gazprom ownership in Nabucco, the OMV representatives blamed Hungarian MOL for "spreading these false rumors". This is part of the MOL managements' efforts to fend off OMV's hostile takeover, they asserted. OMV also has information that MOL is trying to discredit OMV vis-à-vis the EU Commission, they claimed. (Note: after the notification with the EU, the OMV takeover bid is subject to examination by the Commission.) Auli opined that the Russians' intention in Europe is to sell gas but not to control the infrastructure. Otherwise, Gazprom would not have extended its long-term gas delivery deal with OMV until 2027, he argued.

¶4. Auli confirmed that part of the OMV deal with Gazprom includes exploring new, joint gas storage facilities in the east of Austria (near Baumgarten) and across the border in Slovakia. He emphasized again that this would not give Gazprom control over OMV's existing extensive gas storage facilities, but was rather intended to provide new short-term capacity for gas that would be traded through the trading platform. Because the platform must have gas available for trading year-round, it was appropriate to have specific gas storage available for this reason. As of now, however, Auli said that there has been no agreement reached on specific new projects.

¶5. Comment: As in earlier meetings, our OMV contacts did everything to diffuse rumors that Gazprom would try to get control over OMV or OMV-controlled Central European gas infrastructure. Auli suggested that OMV's naming the trading platform "Central European Gas Hub" was probably a mistake. We believe that OMV is serious in intending to remain an independent central European

energy company, with hopes, notably through the MOL takeover and through cooperation with Gazprom, of becoming the dominant regional energy firm. Gazprom's intentions, of course, may be another matter. End comment

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